

Message Text

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73

ACTION EA-10

INFO OCT-01 ISO-00 NSC-05 NSCE-00 AID-05 CIAE-00 COME-00

EB-04 FRB-01 INR-05 NSAE-00 RSC-01 TRSE-00 XMB-02

OPIC-03 SP-02 CIEP-01 LAB-01 SIL-01 OMB-01 SWF-01

AGR-05 L-01 FEA-01 STR-01 DODE-00 PA-01 USIA-06

PRS-01 /060 W

----- 013739

R 060530Z NOV 74

FM USLO PEKING

TO SECSTATE WASHDC 2668

INFO AMEMBASSY TAIPEI

AMEMBASSY TOKYO

AMCONSUL HONG KONG

CINCPAC

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E.O. 11652: N/A

TAGS: ETRD, CH, JA

SUBJECT: FURTHER EVIDENCE OF PRC IMPORT RESTRAINT

1. ACCORDING TO A JAPANESE EMBOFF HERE, THE CHINA NATIONAL CHEMICALS IMPORT AND EXPORT CORPORATION (SINOCHEM) RECENTLY ASKED JAPANESE FERTILIZER SUPPLIERS TO DEFER ALL FERTILIZER DELIVERIES SCHEDULED FOR NOVEMBER AND DECEMBER THIS YEAR UNTIL THE FIRST TWO MONTHS OF 1975. IN MAKING THIS REQUEST, SINOCHEM ALSO ASKED THAT, IN THE EVENT THAT THE REQUESTED DELAYS COULD NOT BE ARRANGED, THE CHINESE BE ALLOWED TO DEFER PAYMENT ON THE FERTILIZER FOR A PERIOD OF SIX MONTHS.

2. AFTER NEGOTIATIONS THE EMBOFF SAID, THE MATTER WAS SETTLED AS FOLLOWS:

THE DELIVERIES WILL BE POSTPONED AS REQUESTED. SINOCHEM WILL ALSO BE ALLOWED TO DEFER PAYMENT FOR THE FERTILIZER UNTIL 150 DAYS AFTER DELIVERIES.
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IVORY AND WILL PAY INTEREST ON THIS SHORT TERM CREDIT AT A RATE

OF ELEVEN (11) PERCENT. THE EMBOFF ADDED THAT THE TOTAL VALUE OF FERTILIZER INVOLVED IS ABOUT \$50 MILLION AND THAT THIS WILL BE THE FIRST TIME SINCE THE CULTURAL REVOLUTION THAT CHINA HAS NOT PAID CASH FOR FERTILIZER FROM JAPAN.

3. COMMENT: THIS DECISION TO DEFER FERTILIZER DELIVERIES UNTIL EARLY NEXT YEAR IS CONSISTENT WITH A PATTERN WE HAVE ALREADY OBSERVED IN REGARD TO PRC GRAIN IMPORTS FOR THE FINAL MONTHS OF 1974. WE DO NOT KNOW WHAT EFFECT, IF ANY, THE DELAYS IN FERTILIZER SHIPMENTS MIGHT HAVE ON PRC AGRICULTURAL PRODUCTION, BUT WE ASSUME THAT THE CHINESE WOULD NOT WISH TO POSTPONE DELIVERIES OF THIS VITAL COMMODITY WITHOUT COMPELLING REASONS. THE FACT THAT THE REQUEST FOR SHIPMENT DELAYS WAS COUPLED WITH A REQUEST FOR CREDIT SUGGESTS THAT SHORT-TERM FOREIGN EXCHANGE PROBLEMS MAY BE BEHIND THE CHINESE DECISION IN THIS CASE AND SUPPORTS THE CONCLUSION (REFTEL) THAT THE CHINESE ARE MAKING SUBSTANTIAL EFFORTS TO REDUCE THEIR PROJECTED RECORD TRADE DEFICIT THIS YEAR.
BUSH

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